



September 9, 2015

Item No. 8

**AUTHORIZATION TO ENTER INTO CONTRACTS WITH BLUE CROSS BLUE SHIELD (MEDICAL) AND GUARDIAN (DENTAL, LIFE, ACCIDENTAL DEATH & DISMEMBERMENT, RETIREE LIFE, SHORT TERM DISABILITY, AND LONG TERM DISABILITY), DAVIS VISION (VISION), UNUM (LONG TERM CARE), AND AMERIFLEX (FLEXIBLE SPENDING ADMINISTRATION) FOR THE CHA'S EMPLOYEE BENEFIT PLAN**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Acting Chief Executive Officer ("CEO") or his designee to enter into contracts with the following insurance providers for the Chicago Housing Authority's ("CHA") Employee Benefit Plan, covering eligible participants of the CHA and eligible participants of the CHA's affiliates, for the benefit year of January 1, 2016 through December 31, 2016, for a total amount of \$6,735,633 (1) Blue Cross Blue Shield medical, with a firm fixed rate contract based on an employee census of 411, calculated to be \$6,087,990, which includes Healthcare Reform taxes and fees associated with the Affordable Care Act; (2) Guardian Dental with a firm fixed rate contract based on employee census of 401, calculated at \$287,239; (3) Davis Vision with a firm fixed rate contract, based on an employee census of 398, calculated at \$40,360; (4) Unum with a firm fixed rate contract based on employee census of 398, NTE \$70,000 (5) AmeriFlex with a firm fixed rate contract based on employee participation, calculated at \$11,551; (6) Guardian Life Insurance Company of America for Life, AD&D, Retiree Life, STD and LTD with a firm fixed rate contract based on employee age and salary, in an amount calculated at \$238,493.

The Chief Financial Officer, Office of the General Counsel and the Office of Procurement have completed all necessary due diligence to support the submission of the procurement and recommend the approval of this item accordingly.

**FUNDING**

CHA General Fund

**SOLICITATION SUMMARY**

**Vendor:** Blue Cross Blue Shield  
300 East Randolph Street  
Chicago, IL 60607  
**Contract Type:** Medical Insurance  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$6,087,990

**Vendor:** Guardian Life Insurance Company of America  
550 West Jackson  
Chicago, IL 60661

**Contract Type:** Dental Insurance  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$287,239

**Vendor:** Unum  
1 Fountain Square  
Chattanooga, TN 37402  
**Contract Type:** Long Term Care  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$70,000 NTE

**Vendor:** Davis Vision  
Capital Region Health Park, Suite 301  
711 Troy-Schenectady Road  
Latham, New York 12110  
**Contract Type:** Vision Insurance  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$40,360

**Vendor:** AmeriFlex  
**Address:** 2508 Highlander Way  
Carrolton, TX 75006  
**Contract Type:** Flexible Spending Administrator  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$11,551

**Vendor:** Guardian Life Insurance Company of America  
**Contract Type:** Life, AD&D, Retiree Life, Short Term Disability, Long Term Disability  
**Contract Term:** January 1, 2016 through December 31, 2016  
**Total Amount:** \$238,493 (fixed rate contract through 2016)

#### **M/W/DBE Participation**

Waiver: Yes

#### **Section 3**

N/A – Supply and Delivery

#### **GENERAL BACKGROUND**

The CHA's current contracts for employee healthcare plan benefits with Blue Cross Blue Shield and Guardian Life Insurance Company of America will terminate on December 31<sup>st</sup>, 2015, and must be replaced on January 1<sup>st</sup>, 2016. These coverages are placed through Mesirow Financial, CHA's broker of record for employee benefit plans. The US Department of Housing and Urban Development has previously authorized the CHA to utilize a broker to procure its insurance coverages by soliciting competitive insurance bids on behalf of CHA.

## **PROCUREMENT HISTORY**

Mesirow Financial (“Mesirow”), the CHA’s insurance broker for Employee Health Plan Benefits, directly solicited requests for coverage from 9 health insurance providers, for Medical, Dental, and Vision coverages. Bids for Life AD&D, Retiree Life, Short Term Disability, and Long Term Disability were *not* solicited as the Board has previously authorized option years 2015 and 2016, which were guaranteed rates. Bids for the administration of Flexible Spending Accounts were also solicited.

All contracts referenced herein are considered firm fixed rate contracts, with contract amounts calculated based on the employee census count and/or participation in the plan.

## **COST ANALYSIS AND RECOMMENDATIONS**

### **MEDICAL INSURANCE COST ANALYSIS AND RECOMMENDATION**

Incumbent insurer BCBS was asked to quote as expiring for the employee census base of 411 (versus 420 in 2015). BCBS offered coverage consistent with the previous year’s program at \$6,087,990, a *decrease* of 5.87% over the prior year’s premium. The average expected increase of health insurance costs for mid- and large-sized businesses in 2016 is expected to be between 6% – 10%. A major factor in the premium decrease is the Authority’s now favorable claims history, which improved to 65% for CY2014. The insurer’s target loss ratio is approximately 85%.

The Authority received three bids from competing insurers, with one declination from new Illinois insurer, Land of Lincoln. United Healthcare quoted the program at \$6,925,715, equivalent to 13.8% higher than the BCBS option. Humana offered to provide coverage at \$7,042,888, or 15.7% higher than the incumbent’s renewal bid. Aetna quoted \$7,176,789, which is 17.9% higher than the incumbent’s renewal proposal. The premium is inclusive of all Healthcare Reform taxes and fees.

We recommend that the Authority-offered health insurance coverage remain consistent with the prior year. The renewal premium is calculated at \$6,087,990, based on an estimated employee census of 411 participants. Should the participation levels fluctuate, the expense would change proportionately.

### **DENTAL INSURANCE COST ANALYSIS AND RECOMMENDATION**

Bids were solicited from three dental insurers. Guardian, our current insurer, quoted \$287,239, with no increase over the expiring premium. Humana offered coverage at \$254,736, which is 15.5% lower than Guardian. Aetna offered coverage at \$262,736, or 15% less than Guardian. Delta Dental quoted a premium of \$272,611, or 9.6% less than Guardian. Assurant quoted \$283,236, or 6% less than the renewal quote from Guardian’s quote. However, each of these insurers offer less coverage for employees, which is reflected in the cost. Additionally, each has varying participation requirements that could adversely affect rates should the minimum not be met. Therefore, Guardian is the recommended provider for Dental coverage at an estimated premium of \$287,239.

### **VISION INSURANCE COST ANALYSIS AND RECOMMENDATION**

Incumbent Vision insurance provider agreed to a rate lock during last year’s renewal period, and therefore this coverage was not marketed. The incumbent insurer Davis has more participating vendors than other insurers, and coverage offered is better than other insurers, as copays are lower for every covered service. Davis Vision offered coverage at a decrease of 9.8%, equating to \$40,360.

### **LIFE, AD&D, RETIREE LIFE, STD and LTD COST ANALYSIS AND RECOMMENDATION**

Bids for Life, AD&D, Retiree Life, Short Term Disability, and Long Term Disability were *not* solicited as the Board has previously authorized option years 2015 and 2016, which were guaranteed NTE rates. Based on the current employee census covering eligible participants and affiliates, the anticipated expense is \$238,493 for these coverages. Premiums are based on employee salary and age, and are therefore variable and expected to increase slightly over time.

### **LONG TERM CARE**

Long term care coverage has been provided as a benefit to CHA employees for over a decade. This coverage provides payment for employees who become disabled and are no longer able to provide basic care for themselves. Our current insurer, Unum, has requested a rate revision from the State of Illinois. Unum must now revise/increase their rates to keep pace with increasing cost of care; rates have not changed since program inception in 2004. Premiums could increase by 75% or more, from approximately \$37,400 to \$65,500. Alternate options available in the marketplace are expected to be more expensive than the current plan with the rate increase. While marketing efforts are still being conducted for this coverage, it is recommended to authorize the expenditure NTE \$70,000.

### **FLEXIBLE SPENDING ADMINISTRATION**

Four providers quoted the flexible spending account administrative service, including the incumbent AmeriFlex. This service coordinates employee pre-tax set aside dollars for medical and transit expense. The incumbent, AmeriFlex, offers the lowest rate structure with no set up fees, with an estimated expense of \$11,551.

### **SUMMARY**

Below is a summary of the year over year expense for the insurance coverages offered in the CHA Employee Benefit Plan.

<b>2016 CHA Benefits Summary</b>					
<b>Coverage</b>	<b>Expiring Premium</b>		<b>Renewal Premium</b>		<b>Percent Change</b>
Medical	\$ 6,467,299	*	\$ 6,087,990		-5.87%
Dental	\$ 287,640	**	\$ 287,239		-0.14%
Vision	\$ 44,758		\$ 40,360		-9.83%
Life and AD&D	\$ 92,111		\$ 100,698		9.32%
Retiree Life	\$ 8,028		\$ 2,889		-64.01%
Short Term Disability	\$ 75,885		\$ 79,923		5.32%
Long Term Disability	\$ 52,065		\$ 54,983		5.60%
Flex Spending	\$ 14,425		\$ 11,551		-19.92%
Long Term Care	\$ 37,400		\$ 70,000		87.17%
	\$ 7,079,611		\$ 6,735,633		-4.86%
<b>Total Decrease</b>			<b>\$ 343,978</b>		

\*Adjusted to match current census of 411 employees, down from 420

\*\* Adjusted to match current census of 401

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and applicable federal (HUD) procurement laws.

The Chief Financial Officer concurs with the recommendation to enter into contracts with Blue Cross Blue Shield for health insurance, Guardian for Dental, AD&D, Retiree Life, Life, STD and LTD insurance benefits, Davis Vision for Vision coverage, Unum for long term care and AmeriFlex for flexible spending account administration, for the 2016 CHA employee benefit plan year and 2016 option year for Guardian Dental.

**RESOLUTION NO 2015-CHA-86**

**WHEREAS,** The Board of Commissioners of the Chicago Housing Authority has reviewed the memorandum dated September 9, 2015 entitled: "AUTHORIZATION TO ENTER INTO CONTRACTS WITH BLUE CROSS BLUE SHIELD (MEDICAL) AND GUARDIAN (DENTAL, LIFE, ACCIDENTAL DEATH & DISMEMBERMENT, RETIREE LIFE, SHORT TERM DISABILITY, AND LONG TERM DISABILITY), DAVIS VISION (VISION), UNUM (LONG TERM CARE), AND AMERIFLEX (FLEXIBLE SPENDING ADMINISTRATION) FOR THE CHA'S EMPLOYEE BENEFIT PLAN".

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT** the Board of Commissioners authorize the Acting Chief Executive Officer or his designee to enter into contracts with the following insurance providers for the Chicago Housing Authority's ("CHA") Employee Benefit Plan covering eligible participants of the CHA and eligible participants of the CHA's affiliates, for the benefit year of January 1, 2016 through December 31, 2016, for a total amount of \$6,735,633, (1) Blue Cross Blue Shield medical with a firm fixed rate contract based on an employee census of 411, calculated to be \$6,087,990, which includes Healthcare Reform Taxes and Fees associated with the Affordable Care Act; (2) Guardian Dental with a firm fixed rate contract based on employee census of 401, calculated at \$287,239; (3) Davis Vision with a firm fixed rate contract, based on an employee census of 398, calculated at \$40,360; (4) Unum with a firm fixed rate contract based on employee census of 398, NTE \$70,000 (5) AmeriFlex with a firm fixed rate contract based on employee participation, calculated at \$11,551. Previously authorized by the Board of Commissioners in 2013 with a rate lock, (6) Guardian Life Insurance Company of America for Life, AD&D, Employee Life, STD and LTD with a firm fixed rate contract in an amount calculated at \$238,493.

